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U.S. Exports: Volume Up, Value Down in Fiscal 1999

The value of U.S. agricultural exports in fiscal 1999 is projected at \$52 billion, down \$2.5 billion from the revised 1998 forecast. While overall volume is projected to increase nearly 5 percent, total value is declining because prices for a number of key commodities are forecast lower. The value of bulk exports is forecast at \$18 billion in 1999, down \$2 billion from 1998. Behind the drop in prices and total export value are three major factors: large world supplies, weak global demand, and a strong U.S. dollar.

Low Prices Test 1996 Farm Act

This year's significant decline in prices for many crops has raised questions about policy tools for counteracting current low prices. Payment rates for the new production flexibility contract (PFC) payments under the 1996 Farm Act are fixed and not related to prevailing market conditions, unlike income support payments under previous legislation. The countercyclical policy response under current law is provided by two other key policy tools—non-recourse marketing assistance loans and loan deficiency payments. With declining commodity prices, farmers are taking advantage of these two programs.

Food Price Rises in 1998, 1999 Lowest in 5 Years

Large supplies of meats and a low general inflation rate in 1998 are benefiting and will likely continue to benefit consumers. With 8 months of Consumer Price Index (CPI) data already collected, the annual average food CPI is 2.1 percent above the first 8 months of 1997. Food prices are forecast to increase only 2 percent in 1998 and 2-2.5 percent in 1999. Such modest increases have not been seen since 1992 and 1993, when food prices increased only 1.2 and 2.2 percent.



Cuba's Agricultural Trade Potential

After the loss of Soviet subsidies in the early 1990's, Cuba responded in part to the resulting economic crisis by beginning to open its economy to market forces and to pursue more open trade with other countries in the hemisphere. Initiating market-oriented reforms, allowing foreign investment, and promoting diversified exports sets the stage for economic recovery. If Cuba joins the global market economy, its economic and agricultural influence in the Caribbean could increase significantly. Should U.S.-Cuba trade open, Cuba could be a new source for U.S. agricultural and food product imports—such as sugar, vegetables, tropical and citrus fruits, seafood, and tobacco—and a destination for both U.S. investment and agricultural exports.

Onions: Sweet Smell of Success

Onions rank fourth among U.S. vegetables in per capita consumption as well as in value (behind potatoes, tomatoes, and lettuce). Onion consumption in 1997, at 18.8 pounds per capita, was just under the record of 18.9 pounds set in 1995. From 1995 to 1997, farm cash receipts for onions averaged \$711 million—5 percent of receipts for all vegetables—with an

estimated retail value of over \$2 billion. Output and per capita use of the two major categories of bulb onions grown in the U.S.—storage onions and the milder spring/summer varieties—have increased during the 1990's. The U.S. is a net exporter of fresh and processed onions, with exports totaling \$169 million in 1997 and imports at \$131 million.

Hired Farm Labor in U.S. Agriculture

In 1997, the Department of Labor certified that U.S. workers were unavailable to fill 23,352 farm jobs, mostly in the Southeast, opening them to temporary foreign guestworkers through the H-2A provisions of the Immigration and Nationality Act. The number is up from 17,557 in 1996 and 12,173 in 1994. Increased enforcement of immigration laws has led many farm employers to fear the loss of much of the current labor supply in agriculture—estimates of the share of fraudulently documented workers in the domestic hired farm labor force range from 25 to 75 percent. In response, the U.S. Senate passed a bill in July to streamline the current H-2A procedures, leading to intensified debate over the need for foreign guestworkers to supplement the domestic hired farm labor force.

Clean Water Action Plan To Affect Agriculture

An ambitious Federal proposal for improving and protecting water quality could affect the way farmers manage their land in many parts of the country. Issued in February, the Clean Water Action Plan (CWAP) is a guidepost for future national water quality policy, involving a fundamental shift to emphasize control of nonpoint sources of pollution. Runoff from cropland and feedlots in agriculture is among the largest single contributors of nonpoint-source water pollution in the U.S. On September 17, the Administration announced a major national strategy for managing livestock waste, as part of the CWAP.